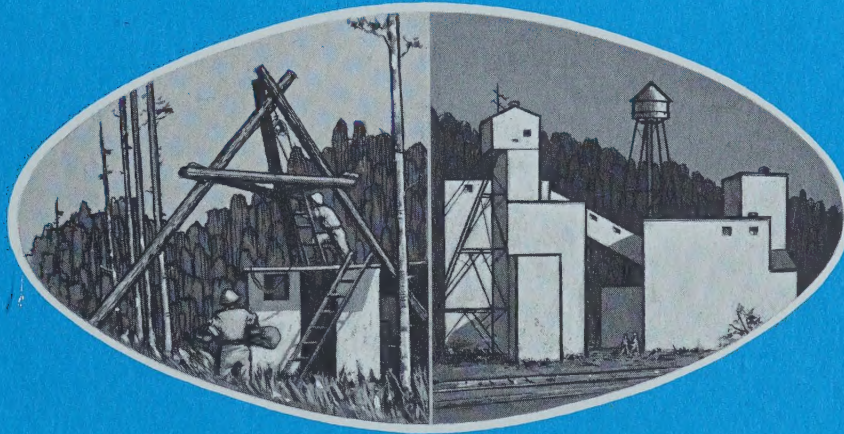


EAST MALARTIC MINES LIMITED

AR51

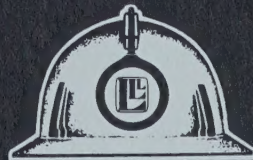
(NO PERSONAL LIABILITY)

Done as 3-licens



ANNUAL REPORT FOR THE YEAR ENDED DECEMBER 31, 1966

Associate



Little Long Lac Gold Mines Limited

including a copy of the Annual Report of

BARNAT MINES LTD.

(No Personal Liability)



This symbol has been selected to represent Canada's Centennial of Confederation in 1967—literally Canada's National 100th birthday symbol. This is an ingenious design of eleven equilateral triangles arranged together into a symbolic Maple Leaf, representing the ten provinces and the Canadian Northern Territories.

OFFICERS

ROBERT C. STANLEY, JR. - - - - - *President*
J. C. L. ALLEN - - - - - *Vice-President*
T. V. NETHERY, P.Eng. - - *Vice-President, Operations
and General Manager*
MISS B. A. ARGO - - - - - *Secretary*
D. M. LORIMER - - - - - *Comptroller*

DIRECTORS

PETER A. ALLEN, P.Eng. P. K. HANLEY
JOHN C. L. ALLEN L. B. HARDER
W. C. COCHRANE T. V. NETHERY, P.Eng.
ROBERT C. STANLEY, JR.

MINE MANAGER

ROGER PLASSE, P.Eng.

TRANSFER AGENTS

MONTREAL TRUST COMPANY, Toronto and Montreal.

AUDITORS

GUNN, ROBERTS AND Co., Toronto, Ontario.

EXECUTIVE OFFICE

Suite 400, 112 King Street West, Toronto, Ont.

REPORT OF THE DIRECTORS

To the Shareholders:

Your Directors are pleased to present the Thirty-second Annual Report and Financial Statements for the year ended December 31st, 1966, together with the Auditors' Report thereon and the Report of the Mine Manager.

Reference should be made to the Report of the Mine Manager and Financial Statements for production and operating figures. It will be noted that in spite of continuing rising costs, operating expenditures were less and resulted in the much improved Operating Profit of \$351,990 compared to the previous year's figure of \$235,230. Net Profit was increased to \$633,390 from \$258,818 the year before, mainly as a result of higher dividends received from Marchant Mining Company Ltd.

Another pleasing feature, as noted in the Mine Manager's Report, was the development of the 31-62 ore zone between the 31st and 29th levels.

The mill capacity is to be increased by 300 tons per day and this is fully justified by the improved ore potential. The capital costs for the addition to the mill combined with the installation of a production hoist at the No. 5 internal shaft, together with other mine improvements are estimated at \$325,000. These projects are currently in progress.

The Annual Report of BARNAT MINES LTD. accompanies this Report as control of Barnat is held by your Company through ownership of 2,303,353 of the 3,900,000 issued shares. The Barnat Report also covers developments at WASAMAC MINES LIMITED.

Your Company has fully retained its fifty percent interest in MARCHANT MINING COMPANY LTD. which company, together with Falconbridge Nickel Mines Limited, on a 50-50 basis, owns MARBRIDGE MINES LIMITED, a producing nickel mine in the Province of Quebec. In 1966, dividends totalling \$1,455,000 were paid

by Marbridge of which half or \$727,500, was received by Marchant and the other half by Falconbridge. A copy of the 1966 Annual Report of Marchant Mining Company Ltd. is being mailed to East Malartic shareholders under separate cover.

The Directors wish to express their appreciation to Mr. T. V. Nethery, P.Eng., Vice-President in Charge of Operations, Mr. Roger Plasse, P.Eng., Mine Manager, the Staff and all Employees for their loyal and efficient services during the year.

Respectfully submitted,

On behalf of the Board,

ROBERT C. STANLEY, Jr.,
President.

March 30, 1967.

MINE MANAGER'S REPORT

Norrie, Quebec,
February 13, 1967.

The President and Board of Directors,
East Malartic Mines Limited,
Suite 400 - 112 King Street West,
Toronto 1, Ontario.

Dear Sirs:

I herewith submit a report on operations of the Company for the year ended December 31st, 1966.

PRODUCTION

During the year 1966 a total of 496,610 tons of ore was treated for an average of 1,361 tons per day. The grade of ore milled was 0.1416 ounces per ton (\$4.96 @ \$35.00 gold) and recovery was 94.93 percent. In 1965 the average per day was 1,291 tons with a value of \$5.23 per ton. Bullion recovery amounted to \$2,537,553 from 66,746.786 ounces of gold and 14,402.39 ounces of silver.

In Canadian funds average price received per Troy ounce for gold and silver were respectively \$37.717 and \$1.396 as compared with \$37.720 and \$1.392 in the previous year.

Under the provisions of the Emergency Gold Mining Assistance Act it is estimated that the company will receive \$672,299.58 for the year which is \$1.35 per ton milled. The company will receive almost the maximum allowance under E.G.M.A.

The Production Record table included each year shows production and other data from commencement of operations in 1938 to 1966 inclusive.

DEVELOPMENT

During 1966, Exploration and Development showed a substantial increase while "Stope development and Preparation" showed a pronounced decrease over the previous year. Total "Exploration and development" amounted to 3,918 feet as compared to 3,151 feet in 1965. Total stope development (mining drifts, sub-drifts, raises, etc.) was 6,278 feet as compared to 10,456 feet in 1965.

During the past year, total diamond drilling amounted to 38,690 feet as compared to 40,782 feet in 1965. Surface diamond drilling amounted to 1,042 feet.

ORE RESERVES AS AT DECEMBER 31st, 1966: Gold Valued at \$35.00/oz.

	<u>Tons</u>	<u>Grade</u>
Positive Ore		
Broken	19,690	\$4.81 (.1376 oz.)
Solid in stoping blocks	1,125,813	5.31 (.1518 oz.)
Indicated Ore	495,294	5.41 (.1545 oz.)
Total Ore Reserves	<u>1,640,797</u>	<u>\$5.33 (.1524 oz.)</u>

EXPLORATION

The downward extension of 13-57 zone has been outlined completely through diamond drilling and the grade and tonnage potential has been increased substantially over original estimates. Development of this ore block has been started and it will include all the ore above the 16th (2,485') level in the East Ore Zone.

A detailed drilling program on the downward extension of 27-54 zone has raised the potential tonnage of this zone.

On the 31st (4,845') level, the long drive towards the east has been stopped on section 8200E. A limited amount of drilling was done to test the greywacke contact.

Very encouraging results were obtained in 31-62 zone. An extensive drilling program enabled the mine to increase the ore potential of this zone considerably. It is estimated that this ore block contains a minimum of 900,000 tons or 2,585 tons per vertical foot with a cut grade of 0.120 ounce per ton between 31st level and 29th level. The walls in this zone will carry values so the dilution would not affect the grade appreciably. A dilution factor of 20% was used in the grade calculations. The greater widths in this ore zone will permit lower mining costs and improved production. Preliminary development of this zone has been started.

In the main zone a minor amount of exploration was done in the vicinity of the Sladen Fold. More drilling is planned in this area in 1967.

GENERAL

The total amount paid by the company in 1966 for wages and salaries including Workmen's Compensation, Unemployment Insurance and other employee benefits amounted to \$1,818,071. Disbursement for operating materials, power consumed and including expenditures for capital equipment were \$1,197,611. Capital costs were \$48,342 as compared to \$29,356 in 1965.

Capital outlays anticipated for 1967 are the installation of a production hoist at #5 shaft; the sinking of #5 shaft a short distance to permit the installation of a more efficient loading pocket and some mill changes to raise the daily production to 1,700 tons per day.

The average total working force was 388 compared to 413 in 1965. Labour turnover increased from 45 per cent to 65 per cent.

A labour agreement was reached with the union and signed on December 27th, 1966. This contract will expire on November 19th, 1969.

In closing, I wish to express my thanks to the Directors and Officers of the Company, particularly Mr. T. V. Nethery, Vice-President and General Manager, for their helpful support and advice, and to the department heads, Supervisory Staffs and the employees for their continued loyalty and effort.

Respectfully submitted,

ROGER PLASSE, P.Eng.,
Mine Manager.

**E a s t
Malartic
M i n e s
Limited**
(NO PERSONAL LIABILITY)

Incorporated under the Laws of Quebec

BALANCE SHEET

ASSETS

		1965 for Comparison
CURRENT ASSETS		
Cash	\$ 77,798	\$ 12,136
Short term deposits	1,140,000	634,000
Bullion at net realizable value	224,272	231,830
Marketable securities at cost (quoted market value 1966 \$1,031,300; 1965 \$921,800)	790,657	648,757
Accounts receivable	13,508	21,939
Receivable from subsidiary and associated companies	134,138	51,040
Amount receivable under the Emergency Gold Mining Assistance Act	210,002	306,675
Prepaid expenses	25,275	38,467
Supplies at average cost	429,265	470,526
	<u>3,044,915</u>	<u>2,415,370</u>
SHARES IN OTHER COMPANIES at cost		
Subsidiary company (note 1)	3,209,202	3,095,541
Marchant Mining Company Limited — 50% owned (note 2)	966,000	966,000
Other associated companies (quoted market value 1966 \$11,800; 1965 \$34,100)	17,076	69,579
	<u>4,192,278</u>	<u>4,131,120</u>
FIXED ASSETS		
Buildings, machinery and equipment at cost	4,811,635	4,765,625
Less accumulated depreciation	4,525,160	4,449,492
	<u>286,475</u>	<u>316,133</u>
Mining properties at cost	179,618	179,618
	<u>466,093</u>	<u>495,751</u>
OTHER ASSETS AND DEFERRED CHARGES		
Other assets	1,960	4,341
Operating expenditures deferred	29,076	51,417
Special refundable tax	13,000	—
	<u>44,036</u>	<u>55,758</u>
	<u>\$7,747,322</u>	<u>\$7,097,999</u>

CEMBER 31, 1966

LIABILITIES

CURRENT LIABILITIES

		1965 for Comparison
Accounts payable and accrued liabilities	\$ 266,216	\$ 261,374
Taxes payable	20,889	9,798
	<u>287,105</u>	<u>271,172</u>

SHAREHOLDERS' EQUITY

Capital stock authorized and issued — 4,000,000 shares of \$1 each	4,000,000	4,000,000
Less discount on shares	2,199,992	2,199,992
	<u>1,800,008</u>	<u>1,800,008</u>
Retained earnings	5,660,209	5,026,819
	<u>7,460,217</u>	<u>6,826,827</u>

Approved on behalf of the Board:

R. C. STANLEY, Jr., Director.

J. C. L. ALLEN, Director.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of East Malartic Mines Limited (No Personal Liability) as at December 31, 1966 and the statements of income and retained earnings and source and application of funds for the year then ended and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the company, the aforementioned financial statements are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company as at December 31, 1966 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
February 16, 1967.

GUNN, ROBERTS and CO.,
Chartered Accountants.

<u>\$7,747,322</u>	<u>\$7,097,999</u>
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STATEMENT OF INCOME AND RETAINED EARNINGS

Year ended December 31, 1966

		1965 for Comparison
OPERATING REVENUE		
Bullion recovery	\$2,537,553	\$2,533,311
Assistance under the Emergency Gold Mining Assistance Act	672,300	684,958
	<u>3,209,853</u>	<u>3,218,269</u>
OPERATING EXPENSES		
Mine development	296,268	337,251
Mining	1,542,569	1,680,074
Milling	463,226	463,989
Marketing expenses	17,726	17,591
Mine office and supervision	128,180	123,444
General expenses at the property	323,878	282,329
Administrative and corporate expenses	66,291	68,861
Quebec mining tax	19,725	9,500
	<u>2,857,863</u>	<u>2,983,039</u>
OPERATING PROFIT before providing for depreciation	351,990	235,230
Depreciation	78,000	90,000
	<u>273,990</u>	<u>145,230</u>
Income from investments		
Marchant Mining Company	300,000	75,000
Other	84,614	38,588
	<u>384,614</u>	<u>113,588</u>
Income before undernoted item	658,604	258,818
Deduct loss on investments sold	25,214	—
Net income for the year	<u>633,390</u>	<u>258,818</u>
Retained earnings at beginning of year	5,026,819	4,768,001
Retained earnings at end of year	<u>\$5,660,209</u>	<u>\$5,026,819</u>

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year ended December 31, 1966

**East
Malartic
Mines
Limited**
(NO PERSONAL LIABILITY)

SOURCE OF FUNDS		1965 for Comparison
Net income for the year	\$ 633,390	\$ 258,818
Add loss on investments sold	25,214	—
Add back depreciation not requiring cash outlay	78,000	90,000
Funds provided from operations	736,604	348,818
Sale of investment in associated company	27,421	—
Other items, net	24,589	—
	<u>788,614</u>	<u>348,818</u>
APPLICATION OF FUNDS		
Purchase of fixed assets	48,342	29,356
Investment in subsidiary company	113,660	—
Other item	—	31,039
Special refundable tax	13,000	—
	<u>175,002</u>	<u>60,395</u>
Increase in working capital	613,612	288,423
Working capital at beginning of year	2,144,198	1,855,775
Working capital at end of year	<u>\$2,757,810</u>	<u>\$2,144,198</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 1966

- Consolidated financial statements are not presented because of the substantial minority interest (41.5%) in the subsidiary company, Barnat Mines Ltd.
The company's share of the profit of the subsidiary company for 1966 was \$60,600 (1965 \$423,200) and since acquisition of the shares was \$1,337,300. No part of these profits has been included in the income of the company.
- The company's share of the profits of the 50% owned company, Marchant Mining Company Ltd., in excess of the dividends received in 1966 was \$48,600 (1965 \$159,600) and since acquisition of the shares was \$438,600. No part of these undistributed profits has been included in the income of the company. Marchant Mining Company Ltd. owns a 50% interest in Marbridge Mines Limited.
- For comparative purposes, certain 1965 items have been reclassified on the same basis as is used for statement presentation for 1966.
- The company has entered into an agreement with Wasamac Mines Limited to purchase up to \$750,000 7% convertible debentures.

PRODUCTION RECORD

Year	Tons Milled	Tons Milled Per Day	Ore Milled Per Ton at \$35.00	Ounces Gold Produced	Actual Mint Returns	Emergency Gold Mining Assistance	Mint Returns Plus Emergency Assistance	Gold Per Oz.	Silver Per Oz.	Operating Cost	Net Profit
1938	44,334	727	—	5,568	\$ 195,030	—	\$ 195,030	\$35.29	.418	—	\$ L-6,225
1939	353,615	969	\$7.23	68,832	2,516,821	—	2,516,821	36.48	.409	\$1,029,136	1,167,992
1940	541,447	1,479	6.03	88,746	3,424,086	—	3,424,086	38.50	.372	1,318,553	1,568,036
1941	537,828	1,474	5.05	73,863	2,851,228	—	2,851,228	38.50	.372	1,745,734	599,680
1942	449,016	1,230	5.72	69,971	2,700,209	—	2,700,209	38.50	.387	1,884,449	273,512
1943	315,088	865	5.67	48,926	1,888,682	—	1,888,682	38.50	.386	1,507,925	12,136
1944	290,873	797	4.96	39,288	1,517,203	—	1,517,203	38.50	.386	1,320,352	L-41,356
1945	304,890	835	4.79	39,851	1,538,500	—	1,538,500	38.50	.392	1,232,709	25,936
1946	307,461	842	5.21	43,596	1,612,916	—	1,612,916	36.77	.841	1,253,375	164,670
1947	240,438	659	5.09	33,335	1,172,649	—	1,172,649	35.00	.683	1,056,070	L-28,473
1948	295,693	808	4.85	38,976	1,371,938	\$163,454	1,535,392	35.00	.741	1,306,358	L-46,899
1949	343,568	941	5.65	53,138	1,935,542	391,964	2,327,506	36.28	.747	1,835,220	71,623
1950	431,944	1,183	5.77	68,095	2,597,499	283,793	2,881,292	38.00	.805	2,130,553	141,778
1951	441,393	1,209	5.57	67,066	2,478,363	424,885	2,903,248	36.79	.939	2,145,526	270,061
1952	470,462	1,285	5.97	76,279	2,620,473	384,305	3,004,778	34.20	.827	2,245,887	289,712
1953	488,070	1,337	5.73	75,999	2,626,947	558,904	3,185,851	34.42	.838	2,299,222	400,540
1954	525,516	1,440	5.86	83,772	2,864,132	569,955	3,434,087	34.05	.829	2,348,256	531,668
1955	540,910	1,482	6.32	91,666	3,180,863	291,762	3,472,625	34.55	.880	2,526,396	261,393
1956	542,458	1,482	6.14	89,253	3,084,739	369,497	3,454,236	34.42	.890	2,585,474	151,503
1957	549,444	1,505	7.27	108,238	3,651,450	291,060	3,942,510	33.60	.871	2,910,913	380,703
1958	537,602	1,473	7.40	108,299	3,690,843	386,188	4,077,031	33.94	.864	3,382,635*	259,952
1959	544,137	1,491	7.47	111,126	3,743,601	251,238	3,994,839	33.57	.876	3,350,966*	467,965
1960	544,939	1,489	7.38	110,126	3,765,735	167,389	3,933,124	34.05	.888	3,425,352*	437,411
1961	547,877	1,501	7.15	107,237	3,823,642	402,984	4,226,626	35.51	.945	3,732,094*	379,788
1962	551,158	1,510	5.82	87,280	3,285,267	809,063	4,094,330	37.44	1.171	3,926,022*	64,369
1963	507,003	1,389	5.43	74,659	2,835,739	753,000	3,588,739	37.75	1.381	3,433,428*	64,959
1964	470,122	1,284	5.48	70,248	2,669,983	730,548	3,400,531	37.74	1.395	3,204,650	135,982
1965	471,251	1,291	5.23	66,659	2,533,311	684,958	3,218,269	37.72	1.394	2,983,039	258,818
1966	496,610	1,361	4.96	66,747	2,537,553	672,300	3,209,853	37.72	1.392	2,857,863	633,390

* No Assistance under E.G.M.A. prior to 1948.

* Includes Deferred Development write-off.

L-Loss.

OFFICERS

ROBERT C. STANLEY, JR. - - - - - *President*
JOHN C. L. ALLEN - - - - - *Vice-President*
T. V. NETHERY, P.Eng. *Vice-President — Operations
and General Manager*
MISS B. A. ARGO - - - - - *Secretary*
D. M. LORIMER - - - - - *Comptroller*

DIRECTORS

JOHN C. L. ALLEN
B. A. ARGO
PETER A. ALLEN, P.Eng.
P. K. HANLEY
ROBERT C. STANLEY, JR.

TRANSFER AGENTS

Mine Manager - - - ROGER PLASSE, P.Eng.

EASTERN & CHARTERED TRUST COMPANY
Toronto, Ontario and Montreal, Que.

AUDITORS

GUNN, ROBERTS AND CO.
Toronto, Ont.

EXECUTIVE OFFICE

Suite 400, 112 King Street West, Toronto, Ont.

Report of the Directors

To the Shareholders

Your Directors present the Annual Report and Financial Statements for the year ended December 31st, 1966, together with the Auditors' Report thereon.

It will be noted in reading the Report of the Mine Manager and the Financial Statements that the total operating expenditures were approximately the same in 1966 as compared to 1965 but with the lesser tonnage treated, the Operating Profit was reduced to \$168,454 from \$321,460 the previous year. The grade of ore treated in 1966 continued to be low and was identical to that of the preceding year. With costs, mainly for wages, continuing to rise, the Mine Staff are to be commended for maintaining the operation on a profitable basis.

WASAMAC MINES LIMITED in which your Company holds the dominant interest (907,338 shares and \$2,600,000 Income Debentures) continues to respond to development. Late in 1966, Wasamac acquired the property and assets of Francoeur Mines Limited. Francoeur is now designated as the Wasamac No. 2 Shaft. A complete mining plant and service installations have been erected and shaft sinking is scheduled to commence on or about April First. Ore from the Wasamac No. 2 Shaft will be trucked to and treated in that company's mill. A copy of the 1966 Annual Report of Wasamac Mines Limited is being mailed to Barnat shareholders under separate cover.

The Directors wish to express their appreciation to Mr. T. V. Nethery, P.Eng., Vice-President in Charge of Operations, Mr. Roger Plasse, P.Eng., Mine Manager, the Staff and all Employees for their loyal and efficient services during the year.

Respectfully submitted,

On behalf of the Board,

ROBERT C. STANLEY, JR.,

March 30, 1967.

President.

Report of the Mine Manager

Norrie, Quebec,
February 14, 1967.

The President and Board of Directors,
Barnat Mines Ltd.,
Suite 400, 112 King Street West,
Toronto 1, Ontario.

Dear Sirs:

This report covering the operations of the Company for the year ended December 31, 1966 is herewith submitted.

PRODUCTION

A total of 485,498 tons were milled during the year 1966 for an average of 1,330 tons per day. This total was made up of 233,091 tons which were shipped to Malartic Gold Fields mill for treatment and 252,407 tons processed at the Barnat plant.

Bullion recovery comprised 48,994.594 ounces of gold and 4,902.099 ounces of silver. Total recovery was 95.57%.

The gross value of production was \$1,854,688.49 and total operating revenue after including \$480,878.01 estimated E.G.M.A. was \$2,335,566.50 or \$4.811 per ton milled.

As in the past year, a Production Record table containing complete comparative figures from the beginning of the company is included in this report.

DEVELOPMENT

Development on the levels for exploration purposes was down about 33% with drifting and crosscutting amounting to 1,749 feet as compared to 2,556 feet in 1965. The exploration program for the current year 1967 amounts to about 2,500 feet or about 50% more than in 1966. During 1966 the main development drives were 19-30 North Crosscut, 19-31 East Drive and 17-20 South Crosscuts with 254 feet, 259 feet and 344 feet advances respectively.

Stope preparation was down about 16% with a total of 2,579 feet in mining drifts, sub-drifts, crosscuts and stope raises. Sub drifting and crosscutting totalled 1,611 feet and raising 968 feet whereas, in the 1965 stope preparation, these figures were 1,383 and 1,600 feet respectively.

Long hole drilling increased from 79,650 feet to 122,477 feet. About 50,000 feet of long hole drilling is scheduled for 1967.

Diamond drilling was increased substantially. During 1966 underground drilling amounted to 58,212 feet as against 45,644 feet in 1965.

ORE RESERVES as at December 31st, 1966

	Gold Valued at \$35.00/oz.		
	<u>Tons</u>		<u>Grade</u>
Positive Ore	680,593	\$ 4.55	(.130 oz.)
Indicated Ore	244,297	3.85	(.110 oz.)
TOTAL ORE RESERVES	<u>924,890</u>	<u>\$ 4.34</u>	<u>(.124 oz.)</u>

EXPLORATION

The East drift on the 1875 foot level was advanced 260 feet during the year and used as a base for the diamond drilling of No. 7 porphyry zone. From this drift a crosscut was driven South a distance of 143 feet on the 4450E. section for further exploration purposes. An ore zone within the porphyry mass from the 1800 foot elevation down to 2,175 feet indicated 221,600 tons having a value of .109 ozs. (\$3.82) per ton.

Test drilling of the downward extension of No. 6 porphyry body which is below the bottom level and adjacent to the Shaft indicated 714,963 tons at 0.093 ozs. (\$3.25) per ton. In order to mine this material the shaft must be deepened another 650 feet. A thorough study of all the details will be conducted before any consideration is given to such a project.

Detailed drilling of 17-20 and 19-20 diorite lenses in the Sladen North zone proved these two lenses to be of very good grade.

Test drilling the downward extension of 3-23 porphyry zone on the National South Zone, started in 1965 was completed during the year. The zone contained 178,486 tons at .071 ounce/ton.

GENERAL

The total amount paid out in 1966 in wages and salaries including Workmen's Compensation, Unemployment Insurance and other employee benefits amounted to \$929,184.

The average total working force was 192 compared to 191 in 1965.

A new three year labour agreement with the United Steelworkers of America was signed on December 27th, 1966. Additional base wages, introduction of the 40-hour work week after one year and extra fringe benefits will increase costs appreciably, imposing a serious hardship on future operations.

In closing, I wish to express my thanks to the Directors and Officers of the company, particularly Mr. T. V. Nethery, vice-president in charge of operations and general manager, for their helpful support and advice and to the Department Heads, Supervisory Staffs and the employees for their continued loyalty and effort.

Respectfully submitted,

ROGER PLASSE, P.Eng.,
Mine Manager.

**Barnat
Mines
Ltd.** (NO
PERSONAL
LIABILITY)

Incorporated under the laws of Quebec

BALANCE SHEET —

ASSETS

		1965 for Comparison
CURRENT ASSETS		
Cash	\$ 27,088	\$ 13,018
Short term deposits	415,000	332,000
Bullion at net realizable value	147,310	176,737
Accounts receivable	877	2,273
Receivable from an associated company	—	58,000
Amount receivable under the Emergency Gold Mining Assistance Act	217,498	150,933
Claim for refund of taxes	9,356	13,867
Prepaid expenses	18,963	31,791
Supplies at average cost	59,198	64,018
	<u>895,290</u>	<u>842,637</u>
INTEREST IN OTHER COMPANIES		
Subsidiary Company (note 1)		
Shares at cost	37,497	37,497
Advances	4,753	5,621
Associated Company		
Shares at cost (quoted market value 1966 \$952,700; 1965 \$1,355,000)	518,726	457,845
Income debentures at cost	2,500,000	2,500,000
Advances	76,271	27,056
	<u>3,137,247</u>	<u>3,028,019</u>
FIXED ASSETS		
Building, machinery and equipment at cost	2,553,469	2,544,439
Less accumulated depreciation	2,239,116	2,156,116
	<u>314,353</u>	<u>388,323</u>
Mining properties at cost less sales proceeds	326,948	324,712
	<u>641,301</u>	<u>713,035</u>
OTHER ASSETS AND DEFERRED CHARGES		
Operating expenditures deferred	11,032	3,673
Special refundable tax	10,168	—
	<u>21,200</u>	<u>3,673</u>
	<u>\$4,695,038</u>	<u>\$4,587,364</u>

AUDITORS' REPORT TO

We have examined the balance sheet of Barnat Mines Ltd. (No Personal Liability) as at December 31, 1966 and the statements of income and retained earnings, and source and application of funds for the year then ended and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Toronto, Canada,
February 16, 1967.

DECEMBER 31, 1966

LIABILITIES

CURRENT LIABILITIES

		1965 for Comparison
Accounts payable and accrued liabilities	\$ 115,280	\$ 103,683
Tax payable	—	11,183
Payable to associated companies	23,087	27,375
Payable to East Malartic Mines Limited — parent company ..	51,468	49,424
	<u>189,835</u>	<u>191,665</u>

SHAREHOLDERS' EQUITY

Capital stock

Authorized — 5,000,000 shares of \$1 each

Issued — 3,900,000 shares

Less discount on shares

702,490 702,490

Retained earnings

4,505,203 4,395,699

Approved on behalf of the Board:

R. C. STANLEY, JR., Director.

J. C. L. ALLEN, Director.

\$4,695,038 \$4,587,364

SHAREHOLDERS

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the company, the aforementioned financial statements are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company as at December 31, 1966 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

GUNN, ROBERTS & CO.,
Chartered Accountants.

Statement of Income and Retained Earnings

Year ended December 31, 1966

		1965 for Comparison
Operating Revenue		
Bullion recovery	\$1,854,688	\$2,061,050
Assistance under the Emergency Gold Mining Assistance Act	480,878	421,454
	<u>2,335,566</u>	<u>2,482,504</u>
Operating Expenses		
Mine development	188,671	175,894
Mining	1,004,592	967,892
Milling	507,306	571,534
Ore haulage	114,973	106,610
Marketing expenses	12,770	14,105
Mine office and supervision	107,608	98,485
General expenses at the property	181,077	154,618
Administrative and corporate expenses	45,815	60,806
Quebec mining tax	4,300	11,100
	<u>2,167,112</u>	<u>2,161,044</u>
Operating profit before providing for depreciation	168,454	321,460
Depreciation	83,000	96,000
	85,454	225,460
Income received from investments	24,050	10,570
Income before income taxes	109,504	236,030
Income taxes recoverable	—	8,050
Income before undernoted item	109,504	244,080
Add gain on investments sold	—	359,016
Net income for the year	<u>109,504</u>	<u>603,096</u>
Retained earnings at beginning of year	3,693,209	2,915,113
Allowance for decline in value of securities no longer required	—	175,000
Retained earnings at end of year	<u>\$3,802,713</u>	<u>\$3,693,209</u>

Statement of Source and Application of Funds

Year ended December 31, 1966

		1965 for Comparison
Source of Funds		
Net income for the year	\$ 109,504	\$ 603,096
Deduct gain on investments sold	—	359,016
		<u>244,080</u>
Add back depreciation not involving cash outlay	83,000	96,000
Funds provided from operations	192,504	340,080
Sale of shares in associated and other companies	—	805,517
Sale of fixed assets	—	8,861
Other items	—	6,600
	<u>\$ 192,504</u>	<u>\$1,161,058</u>
Application of Funds		
Purchase of fixed assets	\$ 11,266	\$ 18,247
Investment in subsidiary and associated companies	109,228	901,007
Special refundable tax	10,168	—
Other items	7,359	—
	<u>138,021</u>	<u>919,254</u>
Increase in working capital	54,483	241,804
Working capital at beginning of year	650,972	409,168
Working capital at end of year	<u>\$ 705,455</u>	<u>\$ 650,972</u>

Notes to Financial Statements

December 31, 1966

1. Consolidated financial statements have not been prepared to include the accounts of the partly owned subsidiary company, Macwin Mines Limited, since it is engaged solely in exploration and its accounts show neither profit nor loss to December 31, 1966. All its expenditures have been deferred to future operations.
2. The company has guaranteed the bank loan of Wasamac Mines Limited which amounts to \$1,127,000 at December 31, 1966.
3. For comparative purposes, certain 1965 items have been reclassified on the same basis as is used for statement presentation for 1966.

Production Record

Year	Tons Milled	Ore Milled Per Ton at \$ 35.00	Ounces Gold Produced	Actual Mint Returns	Emergency Gold Mining Assistance	Mint Returns Plus Emergency Assistance	Gold Per Oz.	Silver Per Oz.	Operating Cost	Net Profit
1948	204,170	559	\$ 3.13	15,878	\$ 561,801	\$ 561,801	\$35.00	\$.782	—	— *
1949	217,304	596	3.38	18,675	\$ 54,940	743,705	36.45	.782	\$ 844,019	L-\$124,637
1950	214,610	588	4.22	23,646	181,025	1,083,145	37.90	.805	885,918	166,527
1951	194,543	534	5.24	27,258	211,121	1,218,362	36.78	.940	960,682	202,856
1952	205,497	563	7.08	50,546	235,388	1,626,928	34.19	.836	1,087,592	430,808
1953	213,928	586	10.06	60,385	204,069	2,286,874	34.43	.838	1,229,406	287,391
1954	216,443	593	8.94	54,707	292,594	2,158,473	34.05	.829	1,285,153	308,039
1955	212,832	583	8.31	55,597	88,463	2,012,827	34.55	.882	1,353,689	247,714
1956	203,756	558	7.68	43,834	320,576	1,831,629	34.41	.893	1,439,057	31,528
1957	186,850	512	7.88	40,569	333,474	1,698,914	33.59	.873	1,507,547	L- 133,635
1958	215,840	591	7.32	43,256	429,600	1,900,961	33.95	.863	1,659,899	L- 37,101
1959	224,472	615	6.26	38,244	343,087	1,629,280	33.56	.883	1,825,364	L- 402,569
1960	445,585	1,217	5.44	66,086	343,928	2,598,852	34.05	.892	2,263,185	136,780
1961	608,063	1,666	4.32	71,179	309,433	2,843,055	35.51	.949	2,404,274	327,989
1962	626,878	1,717	4.30	72,988	152,181	2,895,206	37.47	1.178	2,155,887	646,939
1963	575,555	1,577	3.99	62,217	324,000	2,680,847	37.75	1.385	2,175,970	438,981
1964	581,266	1,588	4.00	63,113	369,880	2,759,794	37.74	1.413	2,302,674	467,064
1965	542,976	1,488	3.70	54,445	421,454	2,482,504	37.72	1.403	2,161,044	603,096
1966	485,498	1,330	3.70	48,995	480,878	2,335,566	37.71	1.391	2,167,112	109,504

* Change over Sladen to Barnat as at August 1st, 1948.
L-Loss.

